



U. S. Department of Housing and Urban Development
Washington, D.C. 20410-8000

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OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

MEMORANDUM FOR: All Multifamily Hub Directors

FROM: Shaun Donovan, Deputy Assistant Secretary
for Multifamily Housing Programs, HT

SUBJECT: Additional Revisions and Information regarding HUD Notice H 00-8, (dated 5-16-00) Guidelines for Continuation of Interest Reduction Payments after Refinancing: Decoupling, under Section 236(e)(2) and refinancing of insured Section 236 projects into non-insured Section 236(b) projects.

The following are additional revisions and information that should assist your offices in processing proposals under the Section 236 Decoupling Notice.

RENTS: The Notice, at section 12, discusses rent setting procedures for Decoupling transactions. Specifically, the Notice limited any type of increase to market rent (street) less the IRP subsidy. It appears that this calculation may preclude some projects, in lower comparable market rent areas or where there is a need for significant repairs, from undertaking these transactions and thereby potentially losing some low-income housing resources. To minimize this potential, HUD will permit projects to increase their rents up to market, without subtracting the IRP subsidy, as long as the calculation is based on a budget-based procedure. The ceiling for the budget-based rent calculation will still be the comparable market (street) rents for the area. This procedure **may not** be used where an immediate equity "takeout" is proposed or where the purchase price for the project is above market comparables.

RECORDATION OF IRP USE AGREEMENTS: The IRP Use Agreement, that is required to be recorded in connection with any IRP transaction, must be recorded in a superior position to all

financing that will be in place at the conclusion of the IRP transaction.

IRP AGREEMENT CORRECTION: The Agreement for Interest Reduction Payments (IRP Agreement), for either a Section 236(e)(2) or (b) transaction should be corrected at sections 5(j) and (n) to read: Subpart H of Part 5, as opposed to 205, of Title 24...